

OPCD Podcast: Episode 10 - “Compensation Packages” (10/30/2014)

Interview with Mr. Timothy Ullmann, *Director of Professional Development in the Office of Professional and Career Development, Harbert College of Business*

Voiceover: So that job offer comes with a starting salary, but there may be more there than meets the eye. Stick around cause we’ve got the info you need to better understand that “hidden paycheck.”

Sounds pretty cool right? The hidden paycheck? Well it definitely is, but you’ve got to know a little something about what your looking for in order to find it. It turns out, the payment for the job you do may actually come in a form beyond that of just your take home pay. So before you accept a job offer, it’s a good idea to understand what, in addition to your salary, will be a part of that compensation. Mr. Timothy Ullmann of the Office of Professional and Career Development continues this week talking us through how to identify and define those components.

T. Ullmann: A lot of people look at the compensation and think “well this is just about my salary” but it's more than the salary. You have all these other things which give you an overall benefit which can be very sizable for you.

Voiceover: And placing all of the various options into one of three categories helps give you a better picture of what you’re actually receiving in terms of compensation.

T. Ullmann: Think of it as a three-legged stool. You have the salary, of course, but you also have rewards: things like bonuses, salary increases, promotions, equity offerings, recognition, new job assignments. And then you also have benefits: things like health plans, retirement plans, vacation, time off, paid training, working hours. All of these things make the total compensation package and as I like to call it the compensation package is the “hidden paycheck.”

Voiceover: So rewards and benefits. Why are things such as these offered by companies?

T. Ullmann: The goals of compensation plans, at least for the employers, is they want to attract and retain the best employees who will contribute to the organization's success. The other goal is for employees to feel they are compensated and rewarded fairly for their efforts and also making a contribution to an organization's success.

Voiceover: That list of rewards and benefits will most likely vary depending on what company your looking at, what level job your applying for, how much providing the compensation costs the company and what best suites the needs of the employees working there. And knowing how to analyze that information really comes in handy, especially when you realize what a large part of your payment, so to speak, these become.

T. Ullmann: A lot of the benefits can equal between 20% and 40% of your total compensation. So what types of things are included? Things like, again, bonuses, flexible schedule, profit sharing, retirement package, insurance, timely advancement, vacation time, education rebates, relocation costs, health care and the list goes on.

Voiceover: So let's focus in for a second on a topic that's a big part of compensation but something that may not be on your radar this early in your career.

T. Ullmann: So one of the greatest benefits that you can receive are the retirement benefits. The traditional "you work someplace for twenty, twenty-five, thirty years and you wind up with a pension at the end," those days are largely gone. Many employers today will automatically enroll employees in their 401k or 403b plans, for those who are nonprofits. The best thing for you to do, because retirement will come someday, is understand the time value of money and the compounding that will happen there. So one of the things you want think about is invest early and regularly. Here's an example: you start saving, putting \$100 a month into your 401k plan and your employer matches it for \$50 a month. Well at the end of saving for 45 years you're going to have a significant amount of money. If you wait until, say 40, because you've got obligations, school loans, all these other types of things like "I just can't afford to save for my retirement and so I'm around 40 and yeah I see retirement's coming." Well you've only got about twenty seven years to save and you will have reduced your net worth by a significant factor.

Voiceover: That's definitely good information to have while you're still at the point of starting your career. And there's a lot more in terms of tips, tricks and advice to learn which is where checking out the OPCD seminar schedule and signing up for a session becomes important. Don't be the graduate who's entering the workforce and still doesn't have a good handle of how to assess what they're being paid.

T. Ullmann: It may not be tangible money in your pocket in apaycheck, but it's money that you don't have to spend that the company is spending on your behalf for your benefit.

Voiceover: And that's where I sign off this week, but if you have any questions or would like to know more check out Lowder 101 or harbert.auburn.edu/opcd. A lot of this information may be new to you but you've got an amazing group of people here who have got your back when it comes to advice and support. I'll see ya soon!